



## Budget Training

Summer 2013



# Definition and Background

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- Maximum levy is the maximum amount of tax money which may be raised as determined by statute
- Example: A county maximum levy can include funds such as General Fund, Health Fund, Reassessment Fund and Park Fund



# Definition and Background

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- Some funds are exempt from the maximum levy limitation
- Examples: Debt funds and cumulative capital development funds are exempt from the maximum levy limitation



# Budget Process

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- Prepare budget
- Advertise
- Public hearings
- County Council Review
- Adoption
- Submission to DLGF via Gateway
- DLGF certified budget, rate and levy and issues a final budget order on or before February 15



# What to Bring to Budget Workshops

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- Financial report for 1<sup>st</sup> six month expenditures broken down by fund
- List of encumbrances
- Any investments
- Completed and totaled Form 1s for each fund



# What to Bring to Budget Workshops

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- Completed Form 2s for each fund or Financial Report of revenues for estimating
- Confirmed public hearing and adoption dates along with times of each meeting
- Potential advertising dates



# Basics of Local Government Budgeting

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QUESTIONS??



# Budget Forms

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- Budget Form 1 – Budget Estimate
  - Form 1 is divided into six categories:
    - Personal services
    - Supplies
    - Other services and charges
    - Capital outlays
    - Township assistance (Townships only)
    - Debt service
  - Details appropriations by fund and classification





# Budget Forms

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- Budget Form 2 – Estimate of Miscellaneous Revenue
  - Accounts for revenue other than property taxes
  - Each fund is listed individually on Form 2



# Budget Forms

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- Budget Form 2 – Estimate of Miscellaneous Revenue
  - Column A is for revenue to be received 7/1 to 12/31 of the current year
  - Column B is for revenue to be received 1/1 to 12/31 of the ensuing budget year



# Budget Forms

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- Budget Form 3 – Notice to Taxpayers
  - First publication: published at least 10 days before public hearing
  - Second publication: published at least 3 days before public hearing
  - Minimum of 7 days between the first and second publications
  - 10 days between public hearing and adoption
  - Must answer objecting petitions



# Budget Forms

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- Budget Form 3 – Notice to Taxpayers
  - Lists date, time and location of public hearing and adoption meeting
  - Must list fund name, budget estimate, fund levy, excessive levy appeal and current fund levy



# Budget Forms

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- Budget Form 3 – Notice to Taxpayers
  - Deadlines
    - First Publication – September 13
    - Second Publication – September 20
    - Public Hearing – October 22
    - Adoption Meeting – November 1



# Budget Forms

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- Budget Form 4 – Adoption Ordinance or Resolution
  - Council signs approving appropriations listed on Line 1 and tax levies and tax rates calculated on Lines 16 and 17 from the Form 4B
  - Appropriations, tax levies and tax rates for all funds must be listed
  - Date should reflect adoption date specified on Form 3
  - Attestation line applies only to counties, cities and towns



# Budget Forms

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- Budget Form 4A – Summary of Form 1
  - Figures from the Form 1
  - Lists appropriations by fund
  - If fund is departmentalized, lists appropriations by department within the fund
- Two columns:
  - Original published budget
  - Council adopted budget



# Budget Forms

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- Budget Form 4B – Financial Statement
  - Also known as the “16 Line Statement” or the “Fund Report”
  - To be completed for each fund appropriated or fund with a tax rate and levy
  - Key information:
    - Budget estimate
    - Financial statement
    - Proposed tax rate





# Budget Forms

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- Budget Form 4B – Financial Statement
  - Two columns:
    - Published – Reflects budget, rate and levy as prepared by the fiscal officer
    - Adopted – Reflects budget, rate and levy as approved by the fiscal body



# Understanding the 16 Line Statement

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- Shows financial condition for an 18-month period
- Provides estimated levy and tax rate



# Understanding the 16 Line Statement

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- Form 4B – Line 1
  - Represents the total budget estimate for the fund for the incoming year
  - Should equal the total budget amount shown on Form 1
  - Should also equal the amount shown on Form 4 or 4A



# Understanding the 16 Line Statement

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- Form 4B – Line 2
  - Represents the balance of appropriations left to be spent July through December of the current year
  - Do not try to estimate your expenses for July through December – use the actual balance of appropriations
  - Use Current Year Financial Worksheet on Gateway to assist in calculating this line



# Understanding the 16 Line Statement

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- Form 4B – Line 2
  - Use the following formula to arrive at Line 2  
2013 DLGF approved budget  
+ Encumbrances from 2012  
+ 2013 additional appropriations 1/1 to 6/30  
- 2013 budget reductions 1/1 to 6/30  
= Total 2013 appropriations  
- Fund disbursements 1/1 to 6/30  
- Anticipated budget reductions 7/1 to 12/31  
+ Unappropriated expenditures  
= Balance of appropriations as of 6/30



# Understanding the 16 Line Statement

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- Form 4B – Line 3
  - Anticipated additional appropriations 7/1 to 12/31
  - Estimated by taxing unit
  - If Line 2 is not sufficient to cover expenses from 7/1 to 12/31, an amount necessary to cover expenses should be entered on Line 3
  - This amount is subject to DLGF approval



# Understanding the 16 Line Statement

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- Form 4B – Lines 4A and 4B
  - Outstanding temporary loans
  - Line 4A represents temporary loans to be paid back by 12/31 of the current year
  - Line 4B represents temporary loans to be paid back by 6/30 of the ensuing year



# Understanding the 16 Line Statement

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- Form 4B – Lines 4A and 4B
  - Temporary loans not paid back by the end of the current year are subject to:
    - Emergency declaration
    - Signed resolution/ordinance
    - Reporting to the DLGF and State Board of Accounts





# Understanding the 16 Line Statement

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- Form 4B – Line 5
  - Line 5 is the total of Lines 1 through 4B
  - It represents the estimated expenditures for the 18 month period (7/1 of current year through 12/31 of incoming budget year)



# Understanding the 16 Line Statement

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- Form 4B – Line 6
  - Actual cash balance of the fund as of 6/30
  - Includes cash and investments
  - Taken from cash ledger and investment record



# Understanding the 16 Line Statement

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- Form 4B – Line 7
  - Property taxes to be received 7/1 through 12/31
  - Information taken from the County Auditor's Certificate
  - Compare to certified levy less June distribution



# Understanding the 16 Line Statement

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- Form 4B – Line 8A
  - Non-property tax revenues to be collected 7/1 through 12/31 of the current year
  - Taken from Form 2 Column A
  - Be conservative with estimates



# Understanding the 16 Line Statement

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- Form 4B – Line 8B
  - Non-property tax revenues to be collected in the ensuing year
  - Taken from Form 2 Column B
  - Be conservative with estimates



# Understanding the 16 Line Statement

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- Form 4B – Line 9
  - Total of Lines 6 through 8B
  - Shows revenues and cash on hand for the 18 month period
  - Does not include ensuing year's property taxes



# Understanding the 16 Line Statement

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- Form 4B – Line 10
  - Line 5 minus Line 9
  - Shows property taxes needed to fund the ensuing year's budget
  - Can be a negative number



# Understanding the 16 Line Statement

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- Form 4B – Line 11
  - Operating balance
  - Amount needed to maintain cash flow
  - Property tax dollars needed to operate for six month less miscellaneous revenue
  - Can never be a negative number





# Understanding the 16 Line Statement

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- Form 4B – Line 12
  - Lines 12 through 17 apply to funds with property taxes only
  - Add Lines 10 and 11 to get Line 12



# Understanding the 16 Line Statement

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- Form 4B – Line 13A
  - Line 13A applies only to counties that have adopted County Adjusted Gross Income Tax (CAGIT)
  - Replacement credit required for levy reduction
  - Amounts for 2014 will be provided to the county auditor by the DLGF



# Understanding the 16 Line Statement

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- Form 4B – Line 13B
  - Line 13B applies only to counties that have adopted Local Option Income Tax Levy Freeze (LOIT Levy Freeze)
  - Replacement credit required for levy reduction
  - Amounts for 2014 will be provided to the county auditor by the DLGF



# Understanding the 16 Line Statement

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- Form 4B – Line 14
  - Line 14 is the result of Line 12 minus Lines 13A and 13B
  - Compare to the maximum levy
  - In COIT and non-Levy Freeze counties, Line 14 will equal Line 12



# Understanding the 16 Line Statement

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- Form 4B – Line 15
  - Levy Excess
  - Taxes collected in prior year that are in excess of 100% of certified levy
  - Credit applied to reduce property taxes levied for the ensuing year
  - If a unit applies a value on Line 15, the unit should ensure that published and adopted levies are still sufficiently high to meet needs



# Understanding the 16 Line Statement

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- Form 4B – Line 16
  - Amount of property tax needed
  - Same as Line 14 when no levy excess
  - Proposed tax levy to be advertised on the Form 3



# Understanding the 16 Line Statement

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- Form 4B – Line 17
  - Tax rate on each \$100 of assessed value
  - Rates are shown to 4 decimal places (example - \$0.0100)
  - Equals the result of Line 16 divided by NAV/100
  - Results in property tax to be levied
  - Compare to current tax rates



# County Council Review

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- County Council is required to review and issue a recommendation for civil taxing units' budgets, levies and rates for those units not subject to binding adoption
- Schools must file proposed taxes rates and levies with the County Council for review





# County Council Review

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- If a unit has an elected board, county council will issue a non-binding recommendation concerning budgets, levies and rates
- Solid Waste Districts, Conservancy Districts, Airport Authorities, Fire Districts, School Corporations and other units that have appointed boards must have budgets, levies and rates approved by a fiscal body



# County Council Review

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- If a library unit has a non-elected board and the budget increases more than the state growth quotient, the library's budgets, levies and rates must be adopted by an appropriate fiscal body
- If a library unit has a non-elected board and the budget does not increase more than the state growth quotient, the library board does the budget adoption and county council will issue a non-binding recommendation



# County Council Review

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- If the taxing unit fails to submit a budget for council review, the unit is held to previous year's budgets and tax levies
- If county council fails to complete the review and issue a recommendation, the county budgets are held to the previous year's budgets and tax levies



# Basics of Local Government Budgeting

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QUESTIONS??



# Contact the Department

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- Courtney Schaafsma, Budget Director
  - 317.234.3937 or [cschaafsma@dlgf.in.gov](mailto:cschaafsma@dlgf.in.gov)
- Dan Jones, Assistant Budget Director
  - 317.232.0651 or [djones@dlgf.in.gov](mailto:djones@dlgf.in.gov)
- Web site: [www.in.gov/dlgf](http://www.in.gov/dlgf)
  - “Contact Us”: [www.in.gov/dlgf/2338.htm](http://www.in.gov/dlgf/2338.htm).